

A nonprofit organization formed and operated exclusively to instruct the public on agricultural matters by conducting annual public fairs and exhibitions of livestock, poultry, and farm products may qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The Revenue Service has been asked whether a nonprofit organization formed and operated as described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization's purpose is to instruct the residents of neighboring communities on agricultural matters by conducting annual public fairs and exhibitions.

Each year the organization's officers and directors, working with home demonstration agents and county agricultural agents, formulate plans for instructive displays. As a result of these preparations, many things which affect farm life are shown at the fair, including agricultural techniques, farm equipment, cattle, poultry, food products, canned goods, and homemade garments. County agents or persons trained by county agents explain the exhibits to the spectators.

Contests are held and prizes are awarded to the exhibitor showing the best product in a category. The judges, experts from the State agricultural college, point out the merits of one exhibit over another, and the owner may be asked to tell how the winning product was raised or the winning animal fed. Direct incentives such as competitive events are used to enlist the interest of young people in agriculture and to educate them in the newest and best techniques of farming and livestock raising.

The fair also has recreational features such as midway shows, refreshment stands, and a rodeo. Most of these facilities are furnished by a carnival company and entertainers who buy concessions and charge admission to the shows or performances.

The organization's income from admissions, concessions, and fees is used to pay salaries and wages and to maintain, repair, and improve the fair buildings and grounds which belong to the county. The long-term lease entered into with the county specifically forbids the organization to pay dividends on its stock. Under the lease and the articles of incorporation, there can be no inurement of income to any individual.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for educational purposes.

Section 1.501(c)(3)-1(d)(3)(b) of the Income Tax Regulations defines the term 'educational' as relating to the instruction of

the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish that purpose, and if no more than an insubstantial part of its activities does not further that purpose.

The principal activities and exhibits of the fair are educational. They are planned and managed by persons whose business it is to inform the public in general, and farmers in particular, about the resources of the region, and the methods by which they may be conserved, utilized, and improved. In addition, the overall activities of the fair are conducted in such a fashion and on such subjects as will enlighten the viewers and participants on the newest and best techniques of farming, and on other matters useful and beneficial to them and to the community.

An organization whose purpose and reason for existence is to educate the public in useful and beneficial subjects does not fail to be operated to educate merely because some entertainment is provided to attract the public. This is true even though the recreational attractions and facilities provide an important source of operating revenue. Agricultural fairs have traditionally offered entertainment and recreational facilities to attract the public.

In view of the above, this organization is exempt from Federal income tax under section 501(c)(3) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(3) of the Code, file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.